



EXECUTIVE COMPUTING

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Outside services alternative to buying, leasing

If you don't have a computer now, then don't feel bad. Even if you really need to computerize your business, buying or leasing your own equipment is not necessarily the best alternative.

If you're having trouble justifying the cost of a computer system, or you want to start out by automating only a couple of areas of the company — or you just don't want the headaches of having your own system — your best decision might be to let someone else own the computer for a while.

In fact, there are several good reasons for businesses to seriously consider using an outside computer services company *before* they start shopping for their own equipment. However, they aren't for everyone. There are some drawbacks to outside services.

Basically, there are two types of outside services: A "service bureau," which processes information that you mail or deliver to it; and a "time-sharing service," which usually puts its own terminal or small computer in your office and connects you by phone line to its central computers.

Except for word processing, both services offer almost anything you can do with an in-house computer.

Advantages of outside services

An outside service is one way to get a data-processing education. Many well-intentioned business people don't know enough about computers to shop intelligently. They trust luck to guide them to the right system, but luck often lets them down. It is common for firms to scrap their first computer and start all over again within the first year. Data processing is a complex subject, notwithstanding all the hype for "user friendly" computer systems.

An outside computer service, on the other

hand, lets you get your feet wet without jumping in over your head. You and your staff get a basic grounding in data processing fundamentals, without obligating yourself to a big outlay for in-house equipment.

Customer support is the hallmark of the computer services industry; most firms provide excellent training and extensive hand-holding.

You can start small, with just a single application — accounts receivable is a common example — and then build up gradually, adding payroll, accounts payable, general ledger, and so on as you feel more comfortable. Then, when you eventually shop for an in-house computer, you'll know what features to look for.

A big advantage of outside firms is that some specialize in particular industries. You are, in effect, renting a sophisticated, field-tested system with proven software that would cost a small fortune to duplicate. Frequently the software was built up over the years and is now used by hundreds or even thousands of people, so the programs are thoroughly debugged and customized for your type of business.

The drawbacks

Outside service companies do have their disadvantages, which you are well-advised to consider before signing a contract.

Waiting time, also referred to as turnaround time, is one handicap. You'll have to bend your schedule to meet theirs. A common practice with service bureaus, for example, is to run everyone's payroll at the same time. Chances are that their schedule will be similar to yours, but if it's not, you — not the bureau — will have to change, unless you're willing to pay a premium.

Errors, by your operator or theirs, are another common problem. You may be caught in a vicious circle: send data, wait for it to come back, fix mistakes, then do it all over again.

As for time-sharing services, crowded conditions during peak demand hours are frequently a problem. The result is busy phone lines or slower computer response time. Many firms have remedied this by installing their own small computer in your office, outfitted with their software. You only call their main computer occasionally to up-load or down-load data.

The biggest disadvantage to outside services is cost. When it comes to automating just one or two applications, outside services may be less expensive than having your own small computer — especially when all the hidden costs, such as management time and software development costs, are factored in.

But if you computerize more than a few applications, a well-run, in-house computer is almost always a better buy in the long run. Time-sharing services, in particular, are apt to be extremely expensive.

Who's best candidate?

Given our list of pros and cons, who should use outside computer services? The best candidates are first-time users. In terms of time and money, an outside service usually has the lowest "threshold cost." You can try out data processing without a big capital investment and without becoming irrevocably committed.

For many businesses, outside computer services are a good transition step that helps them decide if having their own computer is a wise idea.

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